

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 L-03 H-03 PA-04 PRS-01

USIA-15 STR-08 TAR-02 DRC-01 /133 W

----- 125802

R 201115Z AUG 74

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 5503

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL PORTO ALEGRE

LIMITED OFFICIAL USE SAO PAULO 1835

E.O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: COUNTERVAILING DUTIES: BRAZILIAN SHOES

1. THE SAO PAULO GAZETA MERCANTIL REPORTED ON AUGUST 16 THAT BRAZILIAN SHOE MANUFACTURERS IN THE RIO DOS SINOS VALLEY, WHO ACCOUNT FOR 70 PERCENT OF BRAZIL'S SHOE EXPORTS, ARE FAR MORE CONCERNED WITH FURTHER DELAY BY THE U.S. TREASURY IN ANNOUNCING THE COUNTERVAILING DUTY AGAINST BRAZILIAN SHOES THAN THEY ARE WITH THE ANTICIPATED 5 PERCENT - 58.8 PERCENT DUTY ITSELF. THEY FEEL THAT THE DELAY IS CREATING "PSYCHOLOGICAL" PROBLEMS IN THE EXPORT MARKET CAUSING U.S. IMPORTERS TO ADOPT A "WAIT-AND-SEE" ATTITUDE.

2. THE PAPER REPORTED THAT THE BRAZILIAN SHOE MANUFACTURERS ARE NOW RESIGNED TO A U.S. "PROTECTIONIST" COUNTERVAILING DUTY IN THE MAGNITUDE OF 5 PERCENT - 5.8 PERCENT AND DO NOT EXPECT IT TO SERIOUSLY AFFECT THEIR EXPORTS TO THE U.S. SINCE BRAZILIAN SHOES ARE PRICED WELL BELOW THOSE OF THEIR PRINCIPAL COMPETITORS, SPAIN AND ITALY.

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3. AT LEAST ONE EXPORTER WAS REPORTED TO BE OPTIMISTIC. SUMITOMO MANAGER, YOSHIO TSUTSUMI, WHOSE FIRM HANDLED 23 PERCENT OF BRAZIL'S EXPORTS TO THE U.S. LAST YEAR, PREDICTED THAT BRAZIL'S EXPORTS WILL AMOUNT TO 120-130 MILLION IN 1974, IN SPITE OF A COUNTERVAILING DUTY OF UNDER 6 PERCENT. "AS SOON AS THE SURTAX IS ANNOUNCED," TSUTSUMI SAID, "BUSINESS WILL BEGIN TO PICK UP, BECAUSE THE QUALITY OF BRAZILIAN SHOES HAS GREATLY IMPROVED AND....WE HAVE A FIRM MARKET IN THE UNITED STATES".

4. COMMENT: THIS SPECIAL FEATURE STORY IN THE MERCANTILE GAZETTE IS CONSISTENT WITH VIEWS EXPRESSED TO AMEMBASSY BRAZILIA'S FINANCIAL ATTACHE BY FRANCISCO DORNELLES REPORTED IN BRAZILIA 5705, 31 JULY. OF PARTICULAR INTEREST IN THIS ARTICLE IS THE FACT THAT THE BRAZILIAN SHOE INTERESTS ANTICIPATE A COUNTERVAILING DUTY OF LESS THAN 6 PERCENT. THEY WOULD NO DOUBT ACCEPT A MUCH HIGHER FIGURE WITH FAR LESS EQUANIMITY.
CHAPIN

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